

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 TRSE-00 STR-04 TAR-01 COME-00

AGR-10 L-03 NSC-05 CIAE-00 INR-07 NSAE-00 PA-02

USIA-15 PRS-01 SP-02 CEA-01 XMB-04 CIEP-02 OMB-01

FRB-01 /079 W

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R 021217Z OCT 75

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 9213

INFO AMEMBASSY BONN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

USMISSION GENEVA

USMISSION OECD PARIS

USDEL MTN GENEVA UNN

UNCLAS SECTION 1 OF 2 HELSINKI 2157

BONN FOR CUSTOMS SERVICE REPRESENTATIVE JACOBSON

E.O. 11652: N/A

TAGS: ETRD, OECD, FI

SUBJ: STATUS OF COUNTERVAILING DUTY INVESTIGATION: CHEESE FROM
FINLAND

REF: STATE 213794; HELSINKI 1966

1. SUMMARY: FINLAND'S RESPONSE TO US QUESTIONNAIRE
REGARDING ALLEGED FINNISH SUBSIDIES ON CHEESE EXPORTED TO
THE US WILL BE DELAYED UNTIL AS LATE AS OCTOBER 20. IN
MEETING ABOUT CHEESE EXPORTS TO US, FINNISH OFFICIALS AND
DAIRY INDUSTRY EXECUTIVES EMPHASIZED SERIOUS ECONOMIC AND
SOCIAL EFFECTS WHICH WOULD RESULT IF US IMPOSES COUNTER-
VAILING DUTIES. END SUMMARY.

2. MINISTRY OF FOREIGN AFFAIRS INFORMED EMBOFF ON
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OCT 1 THAT CHEESE QUESTIONNAIRE HAND-DELIVERED BY

MR. VIKTOR JACOBSON, US TREASURY CUSTOMS SERVICE REPRESENTATIVE FROM BONN, WOULD BE COMPLETED BY OCTOBER 20, NOT OCTOBER 6 AS EARLIER HOPED. IT WILL PROBABLY BE DELIVERED TO MR. JACOBSON THROUGH FINNISH EMBASSY BONN.

3. MR. JACOBSON VISITED FOREIGN MINISTRY SEPTEMBER 16 TO DELIVER AND EXPLAIN QUESTIONNAIRE, WHICH DESIGNED ELICIT INFORMATION NEEDED IN CONNECTION WITH U.S. TREASURY COUNTERVAILING DUTY INVESTIGATION OF FINNISH CHEESE. COUNSELOR RICHARD MUELLER, CHIEF, SECOND DIVISION, DEPARTMENT OF TRADE POLICY, FOREIGN MINISTRY, WAS SENIOR FINNISH OFFICIAL PRESENT. ALSO ATTENDING WERE REPRESENTATIVES OF MINISTRY OF AGRICULTURE AND FORESTRY (DR. ANTTI NIKKOLA, CHIEF OF INTERNATIONAL DIVISION), OF MTK, ASSOCIATION OF AGRICULTURAL PRODUCERS (ESKO LINDSTEDT, SECRETARY FOR INTERNATIONAL AFFAIRS), AND HIGH OFFICIAL OF FINLAND'S LARGE DAIRY COOPERATIVE VALIO, WHICH HANDLES DISTRIBUTION OF ABOUT 80 PERCENT OF ALL FINNISH DAIRY PRODUCTS (ILKKA HALME). US EMBASSY ECONOMIC/COMMERCIAL COUNSELOR, ECONOMIC OFFICER AND COMMERCIAL ATTACHE WERE ALSO PRESENT.

3. JACOBSON'S INFORMAL PRESENTATION MADE POINTS THAT MATTER WAS NOW IN FACT-FINDING PHASE, THAT TREASURY DEPT MUST BY LAW MAKE PRELIMINARY DETERMINATION BY DECEMBER 11, 1975, THAT THIS WILL THEN BE PUBLISHED IN FEDERAL REGISTER, THAT FINAL DETERMINATION MUST BE MADE SIX MONTHS LATER, THAT THERE WOULD BE OPPORTUNITY FOR FURTHER PRESENTATIONS BY THE FINNS, AND IF THE FINAL DETERMINATION IS TO EFFECT THAT SUBSIDY IS BEING PAID, COUNTERVAILING DUTIES WILL BE APPLIED, UNLESS A WAIVER OF THE DUTIES IS GRANTED, AS PROVIDED IN SECTION 303 AS AMENDED. HE CALLED ATTENTION TO FACT THAT IN CASE OF DUTIABLE IMPORTS, INJURY TO AN INDUSTRY IN THE US NEED NOT BE ESTABLISHED AS PREREQUISITE OF DETERMINATION TO APPLY COUNTERVAILING DUTIES. MUELLER EXPRESSED A CONTRARY OPINION AND WAS GIVEN A COPY OF SECTION 303 AS AMENDED, WHICH INTER ALIA COVERS THIS POINT. JACOBSON ALSO SAID THAT FINLAND DID NOT HAVE TO UNCLASSIFIED

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CONFINE ITS RESPONSE TO THE QUESTIONNAIRE TO THE QUESTIONS POSED THEREIN BUT WOULD IN ADDITION PRESENT ANY OTHER INFORMATION OR ARGUMENTATION.

4. MUELLER SAID THAT FINLAND WOULD NO DOUBT WISH TO DO MORE THAN JUST ANSWER THE SPECIFIC QUESTIONS POSED. HE SAID THAT CHEESE EXPORTS TO US ARE VERY IMPORTANT TO FINLAND. ABOUT 6 TO 7 MILLION KILOGRAMS ANNUALLY

HAVE BEEN EXPORTED TO THE US IN THE LAST FEW YEARS. THERE IS NO INTENTION TO INCREASE THIS AMOUNT. GOVERNMENT POLICY IS IN FACT TO CURTAIL MILK PRODUCTION. CHEESE PRODUCTION IS HOWEVER THE BEST WAY TO UTILIZE SEASONAL SURPLUSES OF MILK, WHICH ARE UNAVOIDABLE IF FINLAND IS TO HAVE ENOUGH MILK IN THE LOW-YIELD WINTER SEASON. INCENTIVE SCHEMES ARE IN EFFECT TO ENCOURAGE WINTER MILK PRODUCTION AND REDUCE THE EXCESS AT OTHER SEASONS.

5. MR. MUELLER ASKED DR. NIKKOLA TO OUTLINE THE IMPORTANCE OF MILK AND DAIRY PRODUCTS IN FINNISH AGRICULTURE. NIKKOLA SAID THAT ABOUT 16 PERCENT OF ACTIVE POPULATION IS ENGAGED IN AGRICULTURE AND FORESTRY. ALMOST HALF OF FARMERS' INCOME COMES FROM MILK AND IF BEEF FROM DAIRY CATTLE IS INCLUDED, ALMOST TWO-THIRDS. ABOUT 20 PERCENT OF DAIRY OUTPUT IS EXPORTED BUT IT IS GOVERNMENT POLICY TO REDUCE MILK OUTPUT, BECAUSE EXPORT PRICES OF DAIRY PRODUCTS ARE TOO LOW. VARIOUS SCHEMES HAVE BEEN USED IN RECENT YEARS TO REDUCE MILK PRODUCTION, BUT ON OTHER HAND MILK INCOME IS ESPECIALLY IMPORTANT FOR SMALL FARMERS, EXPECIALLY IN NORTH WHERE GRAIN PRODUCTION IS UNECONOMICAL. LION'S SHARE OF MILK SUBSIDIES GO TO NORTHERN REGIONS. SUBSIDY FOR MILK IS PAID FROM STATE BUDGET, WHICH REDUCES DOMESTIC PRICE, INCREASES FINNISH CONSUMPTION AND THUS REDUCES EXPORTABLE SURPLUS AS BUTTER, CHEESE, ETC. SUBSIDY IS ALSO PAID ON MILK ULTIMATELY USED TO MAKE CHEESE. DR. NIKKOLA, SECONDED BY MR. MUELLER, STRONGLY EMPHASIZED THAT MILK SUBSIDY WAS PAID TO INCREASE INCOMES OF MARGINAL FARMERS IN NORTHERN AND EASTERN FINLAND, FOR VARIETY OF SOCIAL REASONS, NOT RPT NOT TO SUBSIDIZE EXPORTS OF CHEESE, UNCLASSIFIED

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BUTTER, ETC. TO ANY COUNTRY. IN FINLAND'S VIEW MILK "SUBSIDY" IS AN INTERNAL INCOME SHIFTING DEVICE AND IN NO WAY IS INTENDED TO INCREASE EXPORTS. NONETHELESS, THE RELATIVELY SMALL-SCALE (IN TERMS OF US CONSUMPTION) EXPORTS OF MOSTLY HIGH-QUALITY TABLE-GRADE CHEESE TO US IS IMPORTANT TO DAIRY INDUSTRY AS IT REPRESENTS MUCH OF ITS PROFIT MARGIN. SINCE FARMERS OWN THE EXPORTING COOPERATIVES, THEIR MAKING A LIVING INCOME ALSO DEPENDS HEAVILY ON CHEESE EXPORTS. CHEESE EXPORTS ALSO ARE SIGNIFICANT FACTOR IN OVERALL TRADE BALANCE WITH US, WHICH CURRENTLY RUNNING VERY MUCH IN US FAVOR (FINLAND IN JAN-AUG 1975 IMPORTED DOLS 254 MILLION IN US GOODS AND EXPORTED ONLY DOLS 94.3 MILLION WORTH TO THE US).

6. MR. MUELLER REMINDED THOSE PRESENT THAT FINLAND'S OVERALL TRADE DEFICIT AND BALANCE OF PAYMENTS SITUATION IS VERY SERIOUS. FINLAND WISHED TO OBSERVE OECD TRADE PLEDGE (AGAINST BEGGAR-THY-NEIGHBOR POLICIES) BUT NEEDED OPPORTUNITIES TO INCREASE ITS EXPORTS IN ORDER THAT IT COULD CONTINUE TO AFFORD IMPORTS. IF COUNTERVAILING DUTIES ARE APPLIED TO FINNISH CHEESE BY US, IT WILL SERIOUSLY HURT FINLAND.

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BONN FOR CUSTOMS SERVICE REPRESENTATIVE JACOBSON

7. MR. JACOBSON THANKED THE FINNISH SIDE FOR THEIR INFORMAL PRESENTATION AND SAID HE HOPE FOR REPLY TO THE QUESTIONNAIRE BY OCTOBER 6. MR. MUELLER SAID FINNS WOULD TRY TO MEET THIS TARGET DATE BUT MIGHT HAVE DIFFICULTIES.

8. E/C COUNS ASKED WHETHER FINLAND STILL WISHED SEND

REPRESENTATIVE TO WASHINGTON TO DISCUSS CHEESE INVESTI-
GATION (REFTELS). MUELLER SAID THAT IT WOULD PROBABLY
MAKE MORE SENSE TO SCHEDULE VISIT AFTER CHEESE QUES-
TIONNAIRE WAS COMPLETED. MATTER WAS LEFT AT THAT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CHEESE, EXPORTS, COUNTERVAILING DUTIES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975HELSIN02157
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750341-1174
From: HELSINKI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751089/aaaadbew.tel
Line Count: 228
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 213794, 75 HELSINKI 1966
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 04 NOV 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 NOV 2003 by ThomasVJ>; APPROVED <28 JAN 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATUS OF COUNTERVAILING DUTY INVESTIGATION: CHEESE FROM FINLAND
TAGS: ETRD, FI, OECD, (INGERSOLL, ROBERT S)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006